CANADA

National Energy Board

Reasons for Decision

Coastal Gas Marketing Company

CoEnergy Trading Company

Enron Capital & Trade Resources Corp.

Ranger Oil Limited

United States Gypsum Company

Westcoast Gas Services Inc.

GHW-1-97

September 1997

Gas Exports

National Energy Board

Reasons for Decision

In the Matter of

Coastal Gas Marketing Company

CoEnergy Trading Company

Enron Capital & Trade Resources Corp.

Ranger Oil Limited

United States Gypsum Company

Westcoast Gas Services Inc.

Applications pursuant to Part VI of the *National Energy Board Act* for Licences to Export Natural Gas

GHW-1-97

September 1997

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Abbreviations

Act	*National Energy Board Act*
AEC	AEC Oil & Gas Partnership
Bcf	billion cubic feet
Apache	Apache Canada Ltd.
Beau Canada	Beau Canada Exploration Ltd.
Board	National Energy Board
CNR	Canadian Natural Resources Limited
Coastal	Coastal Gas Marketing Company
CoEnergy	CoEnergy Trading Company
DCQ	Daily Contract Quantity
DOE/FE	(United States of America) Department of Energy, Office of Fossil Energy
DQ	Daily Quantity
ECTR	Enron Capital & Trade Resources Corp.
ECT Canada	Enron Capital & Trade Resources Canada Corp.
EIA	Export Impact Assessment
Empire	Empire State Pipeline Corporation
Enerplus	Enerplus Energy Marketing Inc.
EUB	Alberta Energy and Utilities Board
FERC	(United States of America) Federal Energy Regulatory Commission
Foothills	Foothills Pipe Lines Ltd.
FS	Firm Service
FT	Firm Transportation
GHR-1-87	Review of Natural Gas Surplus Determination Procedures
GHW-1-91	Proposed Changes to the Application of the Market-Based Procedure
GHW-4-89	Review of Certain Aspects of the Market-Based Procedure

GJ	gigajoule(s)
GLGT	Great Lakes Gas Transmission Systems
GTA	Gas Transaction Agreement
GTC	Gas Transaction Confirmation
Gulf	Gulf Canada Resources Limited
Husky	Husky Oil Operations Ltd.
LDC	local distribution company
MAQ	Minimum Annual Quantity
MBP	Market-Based Procedure
MDQ	Maximum Daily Quantity
MMBtu	million British thermal units
MMcf	million cubic feet
National Fuel	National Fuel Gas Supply Corporation
NEB	National Energy Board
NGMA	Natural Gas Market Assessment
NORPAC	Northwest Pacific Gas Marketing Inc.
Northern Border	Northern Border Pipeline Company
NOVA	NOVA Gas Transmission Ltd.
Novagas	Novagas Clearinghouse Pipelines Limited Partnership
NYMEX	New York Mercantile Exchange
Penn West	Penn West Petroleums Ltd.
Petro-Canada	Petro-Canada Oil and Gas
Pinnacle	Pinnacle Resources Ltd.
PNGTS	Portland Natural Gas Transmission System
Ranger	Ranger Oil Limited
Rigel	Rigel Energy Corporation

Rio Alto	Rio Alto Exploration Ltd.
Suncor	Suncor Inc.
Talisman	Talisman Energy Inc.
Tarragon	Tarragon Oil & Gas Limited
Tcf	trillion cubic feet
Technical Report	*Canadian Energy Supply and Demand 1993-2010 - Technical Report*
Tennessee	Tennessee Gas Pipeline Company
TransCanada	TransCanada PipeLines Limited
Tri Link	Tri Link Resources Ltd.
USG	United States Gypsum Company
Viking	Viking Gas Transmission Company
Westcoast	Westcoast Gas Services Inc.
Westcoast-USA	Westcoast Gas Services (USA) Inc.

Recital and Appearances

IN THE MATTER OF the *National Energy Board Act* and the Regulations made thereunder; and

IN THE MATTER OF applications under Part VI of the *National Energy Board Act* for new licences to export natural gas by:

Coastal Gas Marketing Company, CoEnergy Trading Company, Enron Capital & Trade Resources Corp., Ranger Oil Limited, United States Gypsum Company and Westcoast Gas Services Inc.

AND IN THE MATTER OF Hearing Order GHW-1-97;

HEARD in Calgary, Alberta, by written proceeding.

BEFORE:

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R. Priddle	Member
R. Illing	Member

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Chapter 1

Part VI - Gas Export Applications

1.1 The Applications

During the GHW-1-97 proceeding, the National Energy Board ("the Board or NEB") examined nine applications for gas export licences from the following parties:

1. Coastal Gas Marketing Company ("Coastal"), 2 licences;
2. CoEnergy Trading Company ("CoEnergy");
3. Enron Capital & Trade Resources Corp. ("ECTR"), 3 licences;
4. Ranger Oil Limited ("Ranger");
5. United States Gypsum Company ("USG"); and
6. Westcoast Gas Services Inc. ("Westcoast")

Table 1-1 provides a summary of each export licence application considered during the GHW-1-97 hearing.

1.2 Sunset Clauses

It has generally been Board practice in issuing a gas export licence to set an initial period of time during which, if the export of gas commences, the licence becomes effective for the full period of time approved by the Board. This condition in the licence is referred to as a sunset clause because the licence would expire if the export has not commenced within the specified timeframe. Inclusion of the sunset clause is intended to limit outstanding licences to those for which the gas actually starts to flow within a reasonable period of time after the decision. In the current proceeding, the Board questioned all applicants concerning the acceptability of a sunset clause in the applied-for licences.

As a matter of general practice, the Board has set the timeframe by which exports must commence at two years from the expected commencement of the licence term.

Table 1-1
Summary of Applied-for Licences

Application		Buyer (Type of market)	Term	Export Point	Maximum Quantities Applied For Daily 10^3m^3 (MMcf)	Annual 10^6m^3 (Bcf)	Term 10^6m^3 (Bcf)
1.	Coastal (Emerson)	Coastal (U.S. sales portfolio)	1 November 1998 to 31 October 2008	Emerson, Manitoba	864.0 (30.5)	316.0 (11.1)	3 160.0 (111.0)
2.	Coastal (St. Clair)	Coastal (U.S. sales portfolio)	1 November 1998 to 31 October 2008	St. Clair, Ontario	1 400.0 (49.0)	511.0 (18.0)	5 110.0 (180.0)
3.	CoEnergy[1]*	CoEnergy (US sales portfolio)	10 years from first deliveries	East Hereford, Québec & Emerson, Manitoba	2 266.2 (80.0)	827.2 (29.2)	8 272.0 (292.0)
4.	Enron * (Chicago)	Enron (U.S. sales portfolio)	10 years from first deliveries	Monchy, Sask.	1 185.2 (41.8)	432.7 (15.3)	4 327.3 (152.8)
5.	Enron * (Great Lakes)	Enron (U.S. sales portfolio)	1 November 1998 to 1 November 2008	Emerson, Manitoba	901.0 (31.8)	329.7 (11.6)	3 296.6 (116.4)
6.	Enron (Niagara)	Enron (U.S. sales portfolio)	1 November 1998 to 1 November 2008	Niagara Falls, Ontario	256.4 (9.1)	93.6 (3.3)	936.0 (33.1)
7.	Ranger	Coastal (U.S. sales portfolio)	1 November 1997 to 31 October 2007	Niagara Falls, Ontario	141.6 (5.0)	51.7 (1.9)	517.0 (19.0)
8.	USG	Industrial plants in Eastern USA	1 November 1998 to 1 November 2008	Chippawa & Niagara Falls, Ontario	384.2 (13.6)	140.2 (4.9)	1 402.3 (49.5)
9.	Westcoast*	Westcoast USA (U.S. sales portfolio)	1 November 1998 to 31 October 2008	Emerson, Manitoba	715.0[2] (25.2)	261.0[2] (9.2)	2 452.0 (86.6)

1 CoEnergy also applied for authorization to import equivalent volumes of gas at St. Clair, that had been previously exported at Emerson, for subsequent re-export at East Hereford.

2 By letter dated 21 July 1997, Westcoast reduced its daily and annual volumes for the period 1 November 1998 to 31 October 2001 to 572.0 10^3m^3 (20.2 MMcf) and 208.8 10^6m^3 (7.4 Bcf); respectively.

* As Amended

Chapter 2

Market-Based Procedure

The Board is directed by section 118 of the *National Energy Board Act* ("Act"), in its consideration of applications to obtain a licence to export oil or gas, to have regard to all considerations that appear to it to be relevant. The Board is required to satisfy itself, in accordance with subsection 118(a), that the quantity of gas to be exported does not exceed the surplus remaining after due allowance has been made for the reasonably forseeable requirements for use in Canada, having regard to the trends in the discovery of gas in Canada.

In July 1987, pursuant to a Review of Natural Gas Surplus Determination Procedures ("GHR-1-87"), the Board implemented a procedure, known as the Market-Based Procedure ("MBP"), by which the Board assesses the merits of applications to obtain a gas export licence. The MBP is founded on the premise that the marketplace will generally operate in such a way that Canadian requirements for natural gas will be met at fair market prices. The MBP was modified following subsequent public hearings GHW-4-89 and GHW-1-91. The modifications do not affect the premise on which the MBP was founded.

The MBP provides that the Board will act in two ways to ensure that natural gas to be licensed for export is both surplus to reasonably forseeable Canadian requirements and in the public interest: it will hold public hearings to consider applications for licences to export natural gas; and it will monitor Canadian energy usage and markets on an ongoing basis.

2.1 Public Hearings

During public hearings, the Board evaluates whether the market is functioning well. The three components considered by the Board are:

1) Complaints Procedure: The Board must consider any complaints from Canadian gas buyers who object to the proposed export on the grounds that they have not had an opportunity to buy gas on terms and conditions, including price, similar to those of the proposed export. The Complaints Procedure seeks to ensure that Canadian buyers, who have been active in the market, have access to gas supply on terms and conditions similar to those of export customers.

   In the GHW-1-97 proceeding, there were no complaints received regarding any applications.

2) Export Impact Assessment ("EIA"): The EIA assists the Board in its determination of whether a proposed export is likely to cause Canadians difficulty in meeting their energy requirements at fair market prices. The EIA sets out the impact of the proposed export on Canadian energy and natural gas markets. The Board's most recent EIA, which was prepared in consultation

with the energy industry and other interested parties, was included in Chapter 6 of the NEB report entitled *Canadian Energy Supply and Demand 1993-2010 - Technical Report* ("Technical Report"), released in December 1994.

All GHW-1-97 applicants chose to rely on the EIA prepared by the Board in its 1994 Technical Report.

3) Public Interest Determination: In order to determine whether the proposed export is in the public interest, the Board will assess any other factors that it deems relevant. Such factors include the following other public interest considerations which the Board will normally examine in conjunction with an export application:

- the likelihood that the licensed volumes will be taken;
- the durability of the export sales contract;
- whether the export sales contract was negotiated at arm's length;
- producer support for the gas export application;
- provisions in the export sales contracts for the payment of the associated transportation charges on Canadian pipelines over the term of the export sales contract; and
- the appropriate length for an export licence having regard to the adequacy of gas supply and associated export sales and transportation contracts.

The above-noted other public interest considerations are examples of the factors which the Board normally has regard to when assessing the merits of gas export licence applications. However, in specific proceedings, the Board may also consider any additional factors that appear to it to be relevant in the circumstances.

In the GHW-1-97 proceeding, as part of its examination of other public interest considerations, the Board included the potential environmental effects of the proposed exports. For this purpose, the Board decided to rely on the necessary connection test described in the NEB Review of its Decision in GH-5-93 and the Reasons for Decision in GH-3-94. This test is used to establish the scope of the Board's assessment of the potential environmental effects of the applications to export gas. The Board will consider the environmental effects of new upstream facilities and activities only when those facilities or activities are necessarily connected to the requirements of the export licence. For a necessary connection to exist, the export licence and new upstream facilities or activities must be integrated to the extent that they can be seen to form a single course of action.

2.2 Ongoing Monitoring

There are two main components to the Board's ongoing monitoring responsibility under the MBP:

1) assessments of Canadian energy supply and demand; and

2) natural gas market assessments.

The Act requires the Board to monitor the outlook for Canadian supply of all major energy commodities, including electricity, oil and natural gas and their by-products, and the demand for energy in Canada and abroad. Accordingly, the Board prepares and maintains forecasts of energy supply and demand and has, periodically, issued reports after obtaining the views of provincial governments, industry and other parties.

Among matters analyzed are trends in the discovery of oil and natural gas in Canada, the evolving shares of the energy market served by various energy forms and the implications for the adjustment of the natural gas market in response to alternative supply and demand assumptions. These matters and others are contained in the Board's latest report, entitled *Canadian Energy Supply and Demand 1993-2010 - Trends and Issues*, released in July 1994, and the companion Technical Report, released in December 1994.

As the second part of its ongoing monitoring role, the Board will analyze shorter-term developments in natural gas supply, demand and prices, and publish reports on its findings. Generally, the Natural Gas Market Assessment ("NGMA") study and related statistical reports provide coverage of recent developments and near-term prospects for natural gas markets, competitive market activity, pipeline utilization for Canadian and export purposes, and the quantity of gas supply.

2.3 The Determination of Surplus by the MBP

In summary, the Board determines that the gas to be exported is surplus to Canadian needs if:

1) there are no complaints registered under the Complaints Procedure;

2) the EIA indicates that Canadians will have no difficulty in meeting their energy requirements at fair market prices;

3) in the view of the Board, there are no other major public interest concerns; and

4) ongoing monitoring suggests that markets are functioning normally and identifies no other issues relating to the evolution of supply or demand which cast doubt on the future ability of Canadians to meet their energy requirements.

Views of the Board

In respect of the EIA component of the MBP, the overall forecast of supply and demand for the period extending through 2010, as contained in the Board's 1994 Technical Report, indicates that Canadians would not likely experience difficulty in meeting their energy requirements at fair market prices with respect to the applications included in the GHW-1-97 proceeding, as amended. The Board is of the view that approval of the applied-for export licences, which total 29.6 10^9m^3 (1.0 Tcf) of gas proposed for export, would not change this conclusion.

With regard to the potential environmental effects of the proposed exports, the Board has determined that, in the current proceeding, there is no necessary connection between the applied-for export licences and any upstream facilities or activities.

With respect to the other public interest considerations, the evidence of each applicant is presented in the individual chapters of these Reasons. The findings of the Board with respect to these considerations, and any other factors the Board has considered to be relevant, are contained in the "Views of the Board" section at the end of each respective chapter.

The public hearing component of the MBP, including the Complaints Procedure, the EIA and other public interest considerations, combined with the Board's ongoing monitoring of activities of the industry through its NGMAs, supply and demand forecasts, all contribute to the Board's overall understanding of whether or not natural gas can be viewed as surplus to the foreseeable requirements of Canadians.

Taking all such factors into consideration in the current proceeding, the Board is satisfied that the quantity of gas proposed to be exported does not exceed the surplus remaining after due allowance has been made for the reasonably foreseeable requirements for use in Canada, having regard to future trends in the discovery of gas in Canada.

Chapter 3

Coastal Gas Marketing Company (Emerson Export)

3.1 Application Summary

By application dated 20 February 1997, Coastal sought, pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term	-	commencing on 1 November 1998 and ending on 31 October 2008
Point of Export	-	Emerson, Manitoba
Maximum Daily Quantity	-	864.0 10^3m^3 (30.5 MMcf)
Maximum Annual Quantity	-	316.0 10^6m^3 (11.1 Bcf)
Maximum Term Quantity	-	3 160.0 10^6m^3 (111.0 Bcf)
Tolerances	-	ten percent per day and two percent per year

The gas proposed to be exported would be produced from the corporate supply pools of Canadian Natural Resources Limited ("CNR"), Enerplus Energy Marketing Inc. ("Enerplus"), Pinnacle Resources Ltd. ("Pinnacle"), Ranger, Rio Alto Exploration Ltd. ("Rio Alto"), and Tri Link Resources Ltd. ("Tri Link"). In the case of Ranger, its B.C. gas would be transported under an agreement with Novagas Clearinghouse Pipelines Limited Partnership ("Novagas") to the interconnection with NOVA Gas Transmission Ltd. ("NOVA") at the B.C./Alberta border. (Alternatively, Ranger's gas supply in B.C. could be accessible from NOVA through an exchange agreement with Northwest Pacific Gas Marketing Inc. ("NORPAC")). The gas from all producers would be transported on the NOVA system to the Alberta/Saskatchewan border near Empress. TransCanada PipeLines Limited ("TransCanada") would then deliver the gas to the export point near Emerson, Manitoba. From the international border, the gas would be shipped on the Viking Gas Transmission Company ("Viking") system to Coastal's markets in the U.S. Gulf Coast, Northeast and Midwest areas.

3.2 Gas Supply

3.2.1 Reserves

Coastal provided the Board with estimates of reserves for each producer. These estimates were based on either an Alberta Energy & Utilities Board ("EUB") listing or the analysis of a consultant. Coastal also provided the total commitments against each producer's reserves. In all cases, the reserves exceed the commitments, including the proposed exports.

CNR's estimates of its Alberta reserves totalled 22 521.0 10^6m^3 (795.0 Bcf). The total commitments against CNR's reserves are 20 208.4 10^6m^3 (713.4 Bcf), including all of its proposed exports.

Enerplus' estimates of established reserves totalled 11 726.5 10^6m^3 (414.0 Bcf). The total commitments against Enerplus' reserves are 2 084.9 10^6m^3 (73.6 Bcf), including its proposed export.

Pinnacle's estimates of reserves, including the results of its drilling activity in early 1997, totalled 7 125.9 10^6m^3 (251.5 Bcf). The total commitments against its reserves are 6 756.8 10^6m^3 (238.5 Bcf), including all of its proposed exports.

Ranger's estimates of established reserves are 7 563.6 10^6m^3 (267.0 Bcf) for its B.C. corporate supply pool. The total commitments against its reserves are 2 048.1 10^6m^3 (72.3 Bcf), including both of its proposed exports. To the extent that Ranger may utilize an exchange agreement with NORPAC, evidence of adequate gas supply for NORPAC was also submitted.

Rio Alto's estimates of reserves totalled 3 589.6 10^6m^3 (126.7 Bcf). The total commitments against its reserves are 2 203.9 10^6m^3 (77.8 Bcf), including all of its proposed exports.

Tri Link's estimates of reserves totalled 1 362.6 10^6m^3 (48.1 Bcf). The total commitments against its reserves are 974.5 10^6m^3 (34.4 Bcf), including its proposed export.

3.2.2 Productive Capacity

Coastal submitted a comparison of productive capacity and annual requirements for each of the producers. These comparisons show that the producers have adequate productive capacity to meet their commitments to Coastal over the majority of the term of the applied-for licence.

3.3 Transportation

By letter dated 29 October 1996, NOVA offered to provide Firm Service ("FS") capacity on its system to Coastal subject to certain conditions. For its portion, Ranger has an agreement with Novagas to transport the proposed export volumes to the interconnection with NOVA at the B.C./Alberta border. Another option available to Ranger is to utilize an exchange agreement it has with NORPAC. Under this arrangement, Ranger would exchange its B.C. gas (at the Ft. Nelson plant outlet) for Alberta supply (at AECO-C) until the agreement expires on 1 November 2001.

On 21 February 1997, Coastal executed a precedent agreement with TransCanada for the requisite FS capacity and term to transport the gas to the export point at Emerson, Manitoba. From the international border, Coastal would deliver the gas to its markets in the Gulf Coast by utilizing a backhaul arrangement with ANR Pipeline Company, and to its Northeast and Midwest markets pursuant to a precedent agreement with Viking.

3.4 Market

Coastal is a gas marketing company serving a diverse portfolio of markets in Canada and the U.S. Coastal markets in excess of 107.6 $10^6m^3/d$ (3.8 Bcf/d) of gas, including about 70.8 $10^6m^3/d$ (2.5 Bcf/d) in the U.S. Gulf Coast, Northeast and Midwest areas. The proposed gas export would be used by Coastal to serve these three U.S. regional markets. Coastal's market portfolio consists primarily of local distribution companies ("LDC"), electric generation companies and industrial end-users.

3.5 Gas Sales Contracts

On 31 August 1996, Coastal executed Letter Agreements with the six producers which govern the terms and conditions of the proposed export for a term of ten years commencing 1 November 1998. The Letter Agreements are subject to certain conditions precedent with respect to regulatory authorizations and FS transportation arrangements.

Each Letter Agreement provides for a Maximum Daily Quantity ("MDQ") of 144.0 10^3m^3 (5.1 MMcf) plus associated fuel. Coastal is obligated to purchase a Minimum Annual Quantity ("MAQ") which is 95 percent of the annualized MDQ. If Coastal fails to purchase the MAQ (other than in cases of force majeure), it is responsible to the producer it defaulted with for the lost opportunity costs with respect to replacement markets. Similarly, if one of the producers fails to provide the nominated quantity up to the MDQ, it must indemnify Coastal for all incremental costs incurred by it and its customers in acquiring replacement volumes.

Coastal would purchase certain of the MAQ as Term Gas, subject to the specific terms and conditions of each Term Gas contract. All volumes of the MAQ not sold as Term Gas are deemed to be Spot Gas. Coastal is obligated to maintain a 100 percent load factor for Spot Gas purchases.

The price to be paid to each producer is determined on a netback basis using the monthly volume weighted average price for both Term Gas and Spot Gas, including other adjustments. The price for Term Gas is determined on a customer-by-customer contract basis, subject to producer approval. The price for Spot Gas is the average price for Spot Gas transactions by Coastal. The monthly price index for gas sales by Coastal at points off of the Viking system is the average Gulf Coast Monthly Index for "Prices of Spot Gas Delivered to Pipelines" at five points of reference, as published by "*Inside FERC's Gas Market Report*". Ranger is responsible for the charges to transport its gas to the NOVA system at the B.C./Alberta border while Coastal is responsible for all transportation charges on the NOVA and TransCanada systems.

The Letter Agreements between Coastal and its producers provide for redetermination of the price index as well as binding arbitration should a dispute arise from concerns regarding the netback revenues, a replacement price index, or material changes in government regulations which impact the agreements.

Coastal indicated that the Letter Agreements with each of the producers were negotiated at arm's length. Any producer, or Coastal, may terminate their respective Letter Agreements if the conditions precedent are not fulfilled by 1 November 1998.

Coastal estimated that the price under each of the agreements, on 1 January 1997 at the Alberta border, would have been $Cdn. 4.41/GJ ($Cdn. 4.63/MMBtu).

3.6 Status of Regulatory Authorizations

Coastal stated that each producer would file its application for a gas removal permit with the EUB by late-1997. As well, Coastal would apply to the U.S. Department of Energy, Office of Fossil Energy ("DOE/FE") for long-term import authorization. Coastal indicated that the term and volume of all regulatory authorizations will be commensurate with the applied-for licence.

Views of the Board

Under the Letter Agreements, Coastal is required to purchase 95 percent of the annualized MDQ from each producer and must pay penalties for deficient volumes. Additionally, the Board recognizes that Coastal is a major marketer of gas in the U.S. Gulf Coast, Northeast and Midwest areas and, therefore, the Board is satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

The Letter Agreements provide for a market-oriented determination of the gas price, price redetermination and binding arbitration. In addition, the pricing for Term Gas is subject to producer approval. The Board is thus satisfied that the Letter Agreements will remain attractive to the parties over the proposed term and are, therefore, durable.

The Board has examined the Letter Agreements between Coastal and the producers and is satisfied that they have been negotiated at arm's length.

To the extent the producers own the gas supply supporting this proposed export, a finding of producer support is not necessary.

Ranger is responsible for the charges to transport its gas to the B.C./Alberta border. The revenues generated under the Letter Agreement with Coastal will likely be sufficient to enable Ranger to cover these charges. Coastal is responsible for the transportation charges on NOVA and TransCanada. The Board is, therefore, satisfied that there are provisions for the payment of associated transportation charges on Canadian pipelines over the term of the agreements.

With regard to the gas supply which underpins the proposed export, each producer's reserves exceed the total commitments against those reserves. In addition, the producers have adequate productive capacity to meet their requirements over the majority of the term of the applied-for licence. The Board notes that each producer has also provided a corporate warranty to Coastal.

The terms of the Letter Agreements and the agreement for service on the TransCanada system are commensurate with the requested licence. In addition, Coastal stated that the requisite regulatory authorizations will be commensurate with the applied-for export licence. The Board is, therefore, satisfied that the requested licence term is appropriate.

Decision

The Board has decided to issue a gas export licence to Coastal, subject to the approval of the Governor in Council. Appendix I contains the terms and conditions of the licence to be issued.

Chapter 4

Coastal Gas Marketing Company (St. Clair Export)

4.1 Application Summary

By application dated 20 February 1997, Coastal sought, pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term	-	commencing on 1 November 1998 and ending on 31 October 2008
Point of Export	-	St. Clair, Ontario
Maximum Daily Quantity	-	1 400.0 10^3m^3 (49.0 MMcf)
Maximum Annual Quantity	-	511.0 10^6m^3 (18.0 Bcf)
Maximum Term Quantity	-	5 110.0 10^6m^3 (180.0 Bcf)
Tolerances	-	ten percent per day and two percent per year

The gas proposed to be exported would be produced from the corporate supply pools of CNR, Petro-Canada Oil and Gas ("Petro-Canada"), Pinnacle, Rio Alto, and Tarragon Oil & Gas Ltd. ("Tarragon"). The gas would be transported on the NOVA system to the Alberta border near Empress. TransCanada would then deliver the gas to the export point near St. Clair, Ontario. From the international border, the gas would be shipped on the Great Lakes Gas Transmission System ("GLGT") to markets in Michigan as well as the U.S. Northeast.

4.2 Gas Supply

4.2.1 Reserves

Coastal provided the Board with estimates of reserves for each producer. These estimates were based on either an EUB listing or the analysis of a consultant. Coastal also provided the total commitments against each producer's reserves. In all cases, the reserves exceed the commitments, including the proposed exports.

The details on supply for CNR, Pinnacle, and Rio Alto can be examined in Chapter 3.

Petro-Canada's estimates of its Alberta reserves totalled 37 449.3 10^6m^3 (1.3 Tcf). The total commitments against these reserves are only 6 814.1 10^6m^3 (240.5 Bcf), including the proposed export.

Tarragon's estimates of reserves for its overall corporate supply pool totalled 19 784.3 10^6m^3 (698.4 Bcf). The total commitments against its reserves are 6 305.8 10^6m^3 (222.6 Bcf) including the proposed export.

4.2.2 Productive Capacity

Coastal submitted a comparison of productive capacity and annual requirements for each of the producers. These comparisons showed that the producers have adequate productive capacity to meet their commitments to Coastal over the majority of the term of the applied-for licence.

4.3 Transportation

By letter dated 29 October 1996, NOVA offered to provide FS capacity on its system to Coastal subject to certain conditions. On 21 February 1997, Coastal executed a precedent agreement with TransCanada for the requisite FS capacity and term to transport the gas to the export point at St. Clair, Ontario. From the international border, Coastal would ship the gas to its markets in Michigan and the U.S. Northeast, pursuant to a 10-year FS agreement with GLGT.

4.4 Market

Coastal is a gas marketing company serving a diverse portfolio of markets in Canada and the U. S. Coastal markets in excess of 107.6 $10^6m^3/d$ (3.8 Bcf/d) of gas, including in excess of 42.4 $10^6m^3/d$ (1.5 Bcf/d) to its markets in Michigan and the U.S. Northeast. The proposed export will be used by Coastal to serve these regional markets. Coastal's portfolio consists primarily of LDC's, electric generation companies and industrial end-users.

4.5 Gas Sales Contracts

On 3 September 1996, Coastal executed Letter Agreements with the five producers which govern the terms and conditions of the proposed export for a term of ten years commencing 1 November 1998. The Letter Agreements are subject to certain conditions precedent with respect to regulatory authorizations and transportation agreements.

The Letter Agreements between Coastal and the five producers provide for a MDQ, plus associated fuel, as follows:

Producer	10^3m^3	MMcf
CNRL	560.0	19.8
Petro-Canada	280.0	9.9
Pinnacle	140.0	4.9
Rio Alto	140.0	4.9
Tarragon	280.0	9.9
Total	1 400.0	49.4

Coastal is obligated to purchase an MAQ which is 95 percent of the annualized MDQ. If Coastal fails to purchase the MAQ (other than in cases of force majeure), it is responsible to the producer it defaulted with for the lost opportunity costs with respect to replacement markets. Similarly, if one of the producers fails to provide the nominated quantity up to the MDQ, it must indemnify Coastal for all incremental costs incurred by it and its customers in acquiring replacement volumes.

Coastal would purchase certain of the MAQ as Term Gas, subject to the specific terms and conditions of each Term Gas contract. All volumes of the MAQ not sold as Term Gas are deemed to be Spot Gas. Coastal is obligated to maintain a 100 percent load factor for Spot Gas purchases.

The price to be paid to each producer is determined on a netback basis using the monthly volume weighted average price for both Term Gas and Spot Gas, including other adjustments. The price for Term Gas is determined on a customer-by-customer contract basis, subject to producer approval. The price for Spot Gas is the average price for Spot Gas transactions by Coastal. The monthly price index for gas sales by Coastal at points off of the GLGT system is the Michigan Monthly Index as published by "*Gas Daily*". Coastal is responsible for the NOVA and TransCanada transportation charges.

The Letter Agreements between Coastal and each producer provide for redetermination of the price index as well as binding arbitration should a dispute arise from concerns regarding the netback revenues, a replacement price index, or material changes in government regulations which impact the agreements.

Coastal indicated that the Letter Agreements with its producers were negotiated at arm's length. Any producer, or Coastal, may terminate their respective Letter Agreements if the conditions precedent are not fulfilled by 1 November 1998.

Coastal estimated that the price under each of the five producer agreements, on 1 January 1997 at the Alberta border, would have been $Cdn. 4.59/GJ ($Cdn. 4.82/MMBtu).

4.6 Status of Regulatory Authorizations

Coastal stated that each producer would file its application for a gas removal permit with the EUB by late-1997. As well, Coastal would apply to the DOE/FE for long-term import authorization. Coastal indicated that the term and volume of all regulatory authorizations will be commensurate with the applied-for licence.

Views of the Board

Under the Letter Agreements Coastal is required to purchase 95 percent of the annualized MDQ from each producer and must pay penalties for deficient volumes. Additionally, the Board recognizes that Coastal is a major marketer of gas in Michigan and the U.S. Northeast and, therefore, the Board is satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

The Letter Agreements provide for a market-oriented determination of the gas price, price redetermination and binding arbitration. In addition, the pricing for Term Gas is subject to producer approval. The Board is thus satisfied that the Letter Agreements will remain attractive to the parties over the proposed term and are, therefore, durable.

The Board has examined the Letter Agreements between Coastal and the producers and is satisfied that they have been negotiated at arm's length.

To the extent the producers own the gas supply supporting this proposed export, a finding of producer support is not necessary.

Coastal is responsible for the transportation charges on NOVA and TransCanada. The Board is, therefore, satisfied that there are provisions for the payment of associated transportation charges on Canadian pipelines over the term of the agreements.

With regard to the gas supply which underpins the proposed export, each producer's reserves exceed the total commitments against those reserves. In addition, the producers have adequate productive capacity to meet their requirements over the majority of the term of the applied-for licence. The Board notes that each producer has also provided a corporate warranty to Coastal.

The terms of the Letter Agreements and the agreement for service on the TransCanada system are commensurate with the requested licence. In addition, Coastal stated that the requisite regulatory authorizations will be commensurate with the applied-for export licence. The Board is, therefore, satisfied that the requested licence term is appropriate.

Decision

The Board has decided to issue a gas export licence to Coastal, subject to the approval of the Governor in Council. Appendix I contains the terms and conditions of the licence to be issued.

Chapter 5

CoEnergy Trading Company

5.1 Application Summary

By application dated 20 February 1997, as amended, CoEnergy sought pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term	-	for ten years commencing on the later of (i) November 1, 1998 or (ii) the actual in service date under CoEnergy's transportation contract with TransCanada for firm transportation service from Empress, Alberta to East Hereford, Québec
Point of Export	-	Emerson, Manitoba and East Hereford, Québec
Maximum Daily Quantity	-	2 266.2 10^3m^3 (80.0 MMcf)
Maximum Annual Quantity	-	827.2 10^6m^3 (29.2 Bcf)
Maximum Term Quantity	-	8 272.0 10^6m^3 (292.0 Bcf)
Tolerances	-	ten percent per day and two percent per year

In addition, CoEnergy requested, pursuant to Part VI of the Act, an order authorizing it to import gas into Canada at St. Clair, Ontario, for subsequent export from Canada at East Hereford, Québec, for a term of ten years commencing on the later of (i) November 1, 1998 or (ii) the actual in service date under CoEnergy's transportation contract with TransCanada for firm transportation ("FT") service from Empress, Alberta to East Hereford, Québec.

The gas proposed to be exported would be produced from the corporate supply pools of AEC Oil & Gas Partnership ("AEC"), Gulf Canada Resources Limited ("Gulf"), and Suncor Inc. ("Suncor"). The gas would be transported on the NOVA system to TransCanada near the Alberta border at Empress. TransCanada would then deliver the gas to the primary export point at East Hereford, Québec (from time to time, CoEnergy could elect to take delivery at Emerson, Manitoba and re-deliver an equivalent volume to TransCanada at St. Clair, Ontario). From East Hereford, Québec, the gas would be shipped on the Portland Natural Gas Transmission System ("PNGTS") to the markets.

5.2 Gas Supply

5.2.1 Reserves

CoEnergy provided the Board with an estimate of reserves for each producer from an EUB listing. CoEnergy also submitted the total commitments against each producer's reserves. In all cases, the reserves exceed the total commitments, including the proposed exports.

AEC's estimates of reserves totalled 14 759.4 10^6m^3 (521.0 Bcf) whereas its total commitments, including the applied-for volumes, were 11 835.0 10^6m^3 (417.8 Bcf). Suncor's estimates of reserves totalled 3 599.3 10^6m^3 (127.1 Bcf) while the total commitments, including the applied-for volumes, were 3 200.2 10^6m^3 (113.0 Bcf). Gulf's estimates of reserves totalled 13 103.0 10^6m^3 (462.9 Bcf) while the total commitments, including the applied-for volumes, were 4 410.3 10^6m^3 (155.7 Bcf).

5.2.2 Productive Capacity

CoEnergy submitted a comparison of productive capacity and annual requirements for each of the producers. These comparisons show that the producers have adequate productive capacity to meet their commitments over the majority of the term of the applied-for licence.

5.3 Transportation

The gas proposed for export would be delivered to Empress, Alberta under existing FT arrangements between NOVA and each producer. At this point, CoEnergy would take possession of the gas and transport it to the primary export point at East Hereford, Québec through the TransCanada system. CoEnergy may elect from time to time, in accordance with its FT Service entitlement, to take delivery at Emerson, Manitoba and to re-deliver an equivalent volume at St. Clair, Ontario for shipment to East Hereford. CoEnergy has executed a precedent agreement with TransCanada for the requisite capacity and term.

CoEnergy has executed a precedent agreement with PNGTS to transport 849.8 $10^3m^3/d$ (30 MMcf/d) for 20 years commencing on the date that PNGTS becomes operational, which it expects will be in November 1998. CoEnergy will also be providing up to 1 416.4 $10^3m^3/d$ (50 MMcf/d) during the winter months (November to March) to Bay State Gas Company and Northern Utilities, Inc. who hold the requisite capacity on PNGTS. During the summer months, CoEnergy will utilize its portfolio of interstate transportation arrangements to inject gas into its storage areas in Michigan or for short-term sales.

5.4 Market

CoEnergy is a Michigan-based company which is engaged in the sale of energy services. During 1996, CoEnergy's gas sales totalled 6 900 10^6m^3 (245 Bcf). The gas proposed for export will form a part of CoEnergy's corporate gas supply portfolio. CoEnergy expects that the export volumes will be split between markets to be served by PNGTS and markets in Michigan.

The markets to be served by PNGTS would include electrical generators and winter-only service to gas utilities in New England. The total annual volume to be exported to this market is 524.1 $10^6 m^3$ (18.5 Bcf). The remaining annual volume to be exported, approximately 303.1 $10^6 m^3$ (10.7 Bcf), would be delivered to storage fields that CoEnergy owns or leases in Michigan, or sold on a short-term basis to customers in Michigan or eastern Canada.

5.5 Gas Sales Contracts

The proposed export is underpinned by 10-year gas sales contracts between CoEnergy and the three producers. The gas sales contract with AEC was executed on 18 November 1996 and provides for the daily quantity of 566.6 $10^3 m^3/d$ (20 MMcf/d), plus fuel. CoEnergy executed the gas sales contracts with Gulf and Suncor on 31 October 1996 for daily quantities of 849.8 $10^3 m^3/d$ (30 MMcf/d), plus fuel. CoEnergy must purchase 100 percent of the daily quantities. If CoEnergy or any of the producers fail to meet their obligations to purchase or provide the daily quantity, then the defaulting party would reimburse the other for a price deficiency in either selling the gas to a third party or buying the deficient volumes plus firm transportation demand charges for unutilized pipeline capacity, plus a penalty of $Cdn. 0.50/GJ.

The price to be paid to AEC is based on an index for sales in Michigan, as published by "*Gas Daily*" less transportation on TransCanada to East Hereford (net of the rate for TransCanada service from St. Clair to East Hereford). Gulf would obtain a price based on an index for sales at Empress, Alberta as published by "*Canadian Gas Price Reporter*" plus $Cdn. 0.065/GJ.

For the first two-thirds of its daily contract quantity, Suncor would receive the same price as Gulf. On the remaining sales, Suncor would be paid the sum of the Alberta index plus 50 percent of the difference between the Michigan (less transportation and fuel) and Alberta indices.

CoEnergy stated that the gas sales contracts with the producers were negotiated at arm's length. Any of the producers or CoEnergy may terminate their respective gas sales contracts unless the necessary Canadian and U.S. regulatory authorizations and transportation agreements are obtained by 1 October 1997.

CoEnergy estimated that the price under the terms of the contracts with AEC, on 1 January 1997 at the Alberta border, would have been $Cdn. 4.89/GJ ($Cdn. 5.15/MMbtu). The price for gas under contract with Gulf would have been $Cdn. 2.33/GJ ($Cdn. 2.45/MMBtu). Suncor would have received the same price as Gulf for the first two-thirds of the daily contract quantity and $Cdn. 3.50/GJ ($Cdn. 3.68/MMBtu) for the remainder of its sales.

5.6 Status of Regulatory Authorizations

Gulf has applied to the EUB for an amendment to its energy removal permits whereby CoEnergy will be added as a market. AEC and Suncor have obtained the necessary energy removal permits from the EUB.

CoEnergy has applied to the DOE/FE for import authorization and for authorization to export gas for subsequent re-import. The terms and volumes applied-for are commensurate with the gas export application.

Views of the Board

Under the three gas sales contracts, CoEnergy is required to purchase the respective daily quantities. Additionally, the Board recognizes that CoEnergy is a major marketer of gas, particularly in the U.S. Northeast and Michigan areas. Therefore, the Board is satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

The gas sales contracts provide for a market-oriented determination of the gas price. The Board is thus satisfied that the gas sales contracts will remain attractive to the parties over the proposed term and are, therefore, durable.

The Board has examined the three gas sales contracts between CoEnergy and the producers and is satisfied that they have been negotiated at arm's length.

To the extent that the producers own the gas supply supporting this export licence application, a finding of producer support is not necessary.

CoEnergy is responsible for the transportation charges on the TransCanada system. As well, revenues generated under the gas sales contracts will likely be sufficient to enable the three producers to cover demand charges on the NOVA system. The Board is, therefore, satisfied that there are provisions in the gas sales contracts for the payment of the associated transportation charges on Canadian pipelines over the term of the gas sales arrangements.

With regard to the gas supply which underpins the proposed export, the producers' reserves exceed the total commitments against those reserves. In addition, the producers have adequate productive capacity to meet the requirements over the majority of the term of the applied-for licence.

The terms of the gas sales contracts are identical to the applied-for term of the proposed export. Transportation has also been arranged on all required pipelines for the proposed export term. The Board also notes that the requisite regulatory authorizations are for a term and volume commensurate with the requested licence. The Board is, therefore, satisfied that the requested licence term is appropriate.

Decision

The Board has decided to issue a gas export licence to CoEnergy, subject to the approval of the Governor in Council. The Board has also decided to issue an order authorizing CoEnergy to import gas for subsequent export. Appendix I contains the terms and conditions of the licence to be issued.

Chapter 6

Enron Capital & Trade Resources Corp. (Chicago Export)

6.1 Application Summary

By application dated 20 February 1997, as amended, ECTR sought, pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term	-	commencing on the later of 1 November 1998, or the date of first deliveries, and ending on the later of 1 November 2008 or ten years from the date of first deliveries
Maximum Daily Quantity	-	1 185.2 10^3m^3 (41.8 MMcf)
Maximum Annual Quantity	-	432.7 10^6m^3 (15.3 Bcf)
Maximum Term Quantity	-	4 327.3 10^6m^3 (152.8 Bcf)
Tolerances	-	ten percent per day and two percent per year

ECTR requested that the export licence not be conditioned so as to restrict the export to a single point.

The gas proposed to be exported would be produced from the corporate supply pools of CNR, Penn West Petroleum Ltd. ("Penn West"), Pinnacle, and Rigel Oil & Gas Ltd. ("Rigel"). The gas would be transported on the NOVA system to the Alberta/Saskatchewan border. Foothills Pipe Line Ltd. ("Foothills") would then deliver the gas to the export point near Monchy, Saskatchewan. From the international border, the gas would be shipped on the Northern Border Pipeline Company ("Northern Border") system to serve ECTR's markets.

6.2 Gas Supply

6.2.1 Reserves

ECTR provided the Board with estimates of reserves for each producer. These estimates were based on either an EUB listing or the analysis of a consultant. ECTR also submitted the total commitments against each producer's reserves. In all cases, the reserves exceed the commitments, including the proposed exports.

Penn West's estimates of reserves totalled 11 331.2 10^6m^3 (400.0 Bcf). The total commitments against Penn West's reserves are 7 675.0 10^6m^3 (270.9 Bcf), including its proposed export.

Rigel's estimates of established reserves totalled 5 549.5 10^6m^3 (195.9 Bcf). The total commitments against Rigel's reserves are approximately 5 222.3 10^6m^3 (184.4 Bcf), including its proposed exports.

The details on supply for CNR and Pinnacle can be examined in Chapter 3.

6.2.2 Productive Capacity

ECTR submitted a comparison of productive capacity and annual requirements for each of the producers. These comparisons show that the producers have adequate productive capacity to meet their commitments to ECTR over the majority of the term of the applied-for licence.

6.3 Transportation

Enron Capital & Trades Resources Canada Corp. ("ECT Canada") has a FS agreement for the requisite capacity on the NOVA system. On 12 April 1996, ECT Canada executed a precedent agreement for FS transportation of 1 660 $10^3m^3/d$ (59.0 MMcf/d) on the Foothills system to transport the gas to the export point. From the export point, ECTR would ship the gas on the Northern Border system pursuant to a precedent agreement dated 8 August 1995.

6.4 Market

ECTR is a subsidiary of Enron Corp., the largest purchaser and marketer of natural gas in North America. The gas proposed for export would form part of ECTR's overall corporate gas supply portfolio to serve approximately 283.3 $10^6m^3/d$ (10 Bcf/d) of market commitments. In the U.S. Midwest alone, ECTR has commitments to sell over 7 079 $10^3m^3/d$ (250 MMcf/d) under a portfolio of contracts in the wholesale and retail markets, which include over 4,000 industrial and commercial customers.

6.5 Gas Sales Contracts

The proposed export would be governed by an Enfolio Master Firm Purchase/Sales Agreement dated 1 June 1994 between ECTR and ECT Canada as confirmed by five letter agreements between those parties, dated either 12 or 13 February 1997. Collectively, the letter agreements acknowledge the sale of 1 133.2 $10^3m^3/d$ (40.0 MMcf/d), plus fuel gas, at the export point near Monchy, Saskatchewan, for a ten-year period commencing 1 November 1998. The gas purchase agreements between ECT Canada and each producer mirror the gas purchase agreement between ECTR and ECT Canada, respectively.

Collectively, the producers will provide ECT Canada with an MDQ of 1 133.2 10^3m^3 (40.0 MMcf), at a 100 percent load factor, plus post-export fuel gas, as follows:

Producer	Maximum Daily Quantity ($10^3m^3/d$)	(MMcf/d)	Confirmation Letter Dated	Master Agreement Dated
CNR	283.3	10.0	28 November 1996	26 August 1993
CNR	424.9	15.0	1 April 1996	26 August 1993
Penn West	141.6	5.0	12 December 1996	12 November 1996
Pinnacle	141.6	5.0	27 November 1996	22 March 1996
Rigel	141.6	5.0	23 January 1996	23 January 1996
Total	1 133.0	40.0		
Aggregate Post-Export Fuel Obligation	52.0	1.8		
Total MDQ	1 185.0*	41.8		

* The sum of the producer volumes may not be equal to the applied-for volume due to rounding.

Each producer is obligated to deliver its full MDQ plus post-export fuel gas. Should a producer fail to deliver its MDQ obligation, it must indemnify ECT Canada for the incremental cost to obtain replacement gas plus the full amount ECT Canada paid to any arm's length third party for fuel gas; and an amount in liquidated damages. ECT Canada must pay a similar penalty to any producer, should ECT Canada fail to purchase its minimum monthly obligation from that producer.

Under the gas purchase agreement between ECT Canada and CNR, dated 1 April 1996, the contract price is a netback price based upon the Ventura Index as published by "*Inside FERC's Gas Market Report*". Under the other four gas purchase agreements, the contract price is a netback price based upon the Chicago Index for "Illinois via NGPL", as published monthly by "*Natural Gas Intelligence Gas Price Index*". As an alternative to all of these contract prices, ECT Canada and each producer may agree, on a monthly basis, to convert the price index to a fixed price or to a New York Mercantile Exchange ("NYMEX") index-based price.

ECTR stated that the gas purchase agreements between ECT Canada and each producer were negotiated at arm's length. ECT Canada may terminate its gas purchase agreements with CNR or Rigel if the necessary transportation and regulatory approvals are not obtained by 1 October 1997. ECT Canada may also terminate its gas purchase agreements with Penn West or Pinnacle if similar approvals are not obtained by 1 October 1998.

ECTR indicated that the netback price at the Alberta border on 1 January 1997, would have been $Cdn. 3.34/GJ ($Cdn. 3.51/MMBtu) for the gas purchase agreement with CNR based on the Ventura Index, and $Cdn. 4.59/GJ ($Cdn. 4.82/MMBtu) under the other gas purchase agreements.

6.6 Status of Regulatory Authorizations

ECTR indicated that applications would be submitted to the EUB and DOE/FE for the required removal permit and import authorization.

Views of the Board

ECTR is obligated to purchase 100 percent of the MDQ and must pay penalties for deficient volumes. Additionally, the Board recognizes that ECTR is a major marketer of gas in the U.S. and, therefore, the Board is satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

Each gas purchase agreement provides for a market-oriented determination of the gas price. Furthermore, each of the pricing mechanisms also provide for flexible pricing options. The Board is thus satisfied that the gas purchase agreements will remain attractive to the parties over the proposed term and are, therefore, durable.

The Board has examined the gas purchase agreements between ECT Canada and the producers and is satisfied that they have been negotiated at arm's length.

To the extent that the producers own the gas supply supporting this proposed export, a finding of producer support is not necessary.

The Board is satisfied that the pricing provisions of the gas purchase agreements provide for the payment of the associated transportation charges on Canadian pipelines over the term of the contract.

With regard to the gas supply which underpins the proposed export, each producer's reserves exceed the total commitments against those reserves. In addition, the producers have adequate productive capacity to meet their requirements over the majority of the term of the applied-for licence. The Board notes that each producer has also provided a corporate warranty to ECT Canada.

The terms of the gas purchase and transportation agreements are commensurate with the requested licence. In addition, ECTR and ECT Canada are expected to apply for the requisite regulatory authorizations. The Board is, therefore, satisfied that the requested licence term is appropriate.

With regard to ECTR's request for a licence that is not conditioned with respect to the point of export, the Board notes that the commercial structure underpinning the applied-for export is supported by gas purchase and transportation contracts which indicate that the export point is Monchy, Saskatchewan, at the interconnection between the Foothills and Northern Border systems. As well, the Board notes that the use of alternate export points to provide short-term flexibility may be accommodated through the use of short-term gas export orders. Given these factors, the Board is not persuaded to grant Enron's request for multiple export points.

Decision

The Board has decided to issue a gas export licence to ECTR, subject to the approval of the Governor in Council. Appendix I contains the terms and conditions of the licence to be issued.

Chapter 7

Enron Capital & Trade Resources Corp. (Great Lakes Export)

7.1 Application Summary

By application dated 20 February 1997, as amended, ECTR sought, pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term	-	commencing on 1 November 1998 and ending on 1 November 2008	
Maximum Daily Quantity	-	901.0 10^3m^3	(31.8 MMcf)
Maximum Annual Quantity	-	329.7 10^6m^3	(11.6 Bcf)
Maximum Term Quantity	-	3 296.6 10^6m^3	(116.4 Bcf)
Tolerances	-	ten percent per day and two percent per year	

ECTR requested that the export licence not be conditioned so as to restrict the export to a single point.

The gas proposed to be exported would be produced from the corporate supply pools of Beau Canada Exploration Ltd. ("Beau Canada"), CNR, Pinnacle, and Rigel. In the case of Beau Canada, its B.C. gas would be transported under an agreement with Novagas to the interconnection with NOVA at the B.C./Alberta border. The gas from all producers would be transported on the NOVA system to the Alberta/Saskatchewan border near Empress. TransCanada would then transport the gas to the export point near Emerson, Manitoba. From the international border, the gas would be shipped on the GLGT system to serve ECTR's markets.

7.2 Gas Supply

7.2.1 Reserves

ECTR provided the Board with estimates of reserves for each producer. These estimates were based on either an EUB listing or the analysis of a consultant. ECTR also submitted the total commitments against each producer's reserves. In all cases, the reserves exceed the commitments, including the proposed exports.

Beau Canada's estimates of its total established reserves are 6 662.8 10^6m^3 (235.2 Bcf). The total commitments against these reserves, including the applied-for volumes, are 4 155.7 10^6m^3 (146.7 Bcf).

The details on supply for CNR and Pinnacle can be examined in Chapter 3, while Rigel's can be examined in Chapter 6.

7.2.2 Productive Capacity

ECTR submitted a comparison of productive capacity and annual requirements for each of the producers. These comparisons show that the producers have adequate productive capacity to meet their commitments to ECTR over the majority of the term of the applied-for licence.

7.3 Transportation

By letter dated 18 December 1996, NOVA offered to provide ECT Canada with the requisite FS capacity on its system, subject to certain conditions. For its portion, Beau Canada has an agreement with Novagas to transport the proposed export volumes to the interconnection with NOVA at the B.C./Alberta border. On 21 February 1997, ECT Canada executed a precedent agreement with TransCanada for FS transportation of 904.1 $10^3m^3/d$ (31.9 MMcf/d) to the export point near Emerson, Manitoba. From the international border, ECTR would transport the gas to its markets on the GLGT system, pursuant to the precedent agreement it has executed with GLGT.

7.4 Market

ECTR is a subsidiary of Enron Corp., the largest purchaser and marketer of natural gas in North America. The gas proposed for export would form part of ECTR's overall corporate gas supply portfolio to serve approximately 283.3 $10^6m^3/d$ (10 Bcf/d) of market commitments. In the U.S. Northeast alone, ECTR has commitments to sell approximately 11 311 $10^3m^3/d$ (400 MMcf/d) under a portfolio of contracts.

7.5 Gas Sales Contracts

The proposed export would be governed by a Enfolio Master Firm Purchase/Sales Agreement dated 1 June 1994 between ECTR and ECT Canada as confirmed by letter agreements between those parties, dated 30 September 1996. The letter agreement acknowledges the sale of 850.0 $10^3m^3/d$ (30.0 MMcf/d), plus fuel gas, at the export point near Emerson, Manitoba, for a ten-year period commencing 1 November 1998. The gas purchase agreements between ECT Canada and each producer mirror the gas purchase agreement between ECTR and ECT Canada.

Collectively, the producers will provide ECT Canada with an MDQ of 850.0 $10^3m^3/d$ (30.0 MMcf/d), at a 100 percent load factor, plus post-export fuel gas, as follows:

Producer	Maximum Daily Quantity ($10^3m^3/d$)	(MMcf/d)	Confirmation Letter Dated	Master Agreement Dated
Beau Canada	141.6	5.0	27 March 1996	11 July 1995
CNR	424.9	15.0	29 March 1996	26 August 1993
Pinnacle	141.6	5.0	29 March 1996	22 March 1996
Rigel	141.6	5.0	29 March 1996	23 January 1996
Total	849.7	30.0		
Aggregate Post-Export Fuel Obligation	51.0	1.8		
Total MDQ	900.7*	31.8		

* The sum of the producer volumes may not be equal to the applied-for volume due to rounding.

Each producer is obligated to deliver its full MDQ plus post-export fuel gas. Should a producer fail to deliver its MDQ obligation, it must indemnify ECT Canada for the incremental cost to obtain replacement gas plus the full amount ECT Canada paid to any arm's length third party for fuel gas; and an amount in liquidated damages. ECT Canada must pay a similar penalty to any producer, should ECT Canada fail to purchase its minimum monthly obligation from that producer.

Under the gas purchase agreements between ECT Canada and the producers, the contract price is a netback price based upon the St. Clair Index for "Michigan Michcon", as published monthly by "*Gas Daily*". As an alternative to the contract price, ECT Canada and each producer may agree, on a monthly basis, to convert the St. Clair Index to a fixed price or a NYMEX index-based price.

ECTR stated that the gas purchase agreements between ECT Canada and each producer were negotiated at arm's length. ECT Canada may terminate its gas purchase agreement with any producer if the necessary transportation and regulatory approvals are not obtained by 1 October 1998. In addition, if a rolled-in tolling methodology is not approved by the U.S. Federal Energy Regulatory Commission ("FERC") or the NEB for facility expansions to the GLGT and TransCanada systems, respectively, each producer may terminate their respective agreement with ECT Canada. Furthermore, ECTR may terminate its precedent agreement with GLGT in a similar event.

ECTR indicated that the price under the agreements on 1 January 1997 at the Alberta border, would have been \$Cdn. 4.35/GJ (\$Cdn. 4.57/MMBtu).

7.6 Status of Regulatory Authorizations

ECTR indicated that applications would be submitted to the necessary provincial agencies and DOE/FE for the required removal permits and import authorization.

Views of the Board

ECTR is obligated to purchase 100 percent of the MDQ and must pay penalties for deficient volumes. Additionally, the Board recognizes that ECTR is a major marketer of gas in the U.S. and, therefore, the Board is satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

Each gas purchase agreement provides for a market-oriented determination of the gas price. Furthermore, each of the pricing mechanisms also provides for flexible pricing options. The Board is thus satisfied that the gas purchase agreements will remain attractive to the parties over the proposed term and are, therefore, durable.

The Board has examined the gas purchase agreements between ECT Canada and the producers and is satisfied that they have been negotiated at arm's length.

To the extent that the producers own the gas supply supporting this proposed export, a finding of producer support is not necessary.

The Board is satisfied that the pricing provisions of the gas purchase agreements provide for the payment of the associated transportation charges on Canadian pipelines over the term of the contract.

With regard to the gas supply which underpins the proposed export, each producer's reserves exceed the total commitments against those reserves. In addition, the producers have adequate productive capacity to meet their requirements over the majority of the term of the applied-for licence. The Board notes that each producer has provided a corporate warranty to ECT Canada.

The terms of the gas purchase and transportation agreements are commensurate with the requested licence. In addition, ECTR and ECT Canada are expected to apply for the requisite regulatory authorizations. The Board is, therefore, satisfied that the requested licence term is appropriate.

With regard to ECTR's request for a licence that is not conditioned with respect to the point of export, the Board notes that the commercial structure underpinning the applied-for export is supported by gas purchase and transportation contracts which indicate that the export point is Emerson, Manitoba, at the interconnection between the TransCanada and GLGT systems. As well, the Board notes that the use of alternate export points to provide short-term flexibility may be accommodated through the use of short-term gas export orders. Given these factors, the Board is not persuaded to grant ECTR's request for multiple export points.

Decision

The Board has decided to issue a gas export licence to ECTR, subject to the approval of the Governor in Council. Appendix I contains the terms and conditions of the licence to be issued.

Chapter 8

Enron Capital & Trade Resources Corp. (Niagara Export)

8.1 Application Summary

By application dated 20 February 1997, ECTR sought, pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term	-	commencing on 1 November 1998 and ending on 1 November 2008	
Maximum Daily Quantity	-	256.4 10^3m^3	(9.1 MMcf)
Maximum Annual Quantity	-	93.6 10^6m^3	(3.3 Bcf)
Maximum Term Quantity	-	936.0 10^6m^3	(33.1 Bcf)
Tolerances	-	ten percent per day and two percent per year	

ECTR requested that the export licence not be conditioned so as to restrict the export to a single point.

The gas proposed to be exported would be produced from the corporate supply pool of CNR. The gas would be transported on the NOVA system to the Alberta border near Empress. TransCanada would then ship the gas to the export point near Niagara Falls, Ontario. From the international border, the gas would be transported on the National Fuel Gas Supply Corporation ("National Fuel") system to serve ECTR's markets.

8.2 Gas Supply

The details on supply for CNR can be examined in Chapter 3.

8.3 Transportation

By letter dated 18 December 1996, NOVA offered to provide the requisite FS capacity on its system to ECT Canada, subject to certain conditions. On 21 February 1997, ECT Canada executed a precedent agreement with TransCanada for the requisite FS capacity and term to transport the gas to the export point near Niagara Falls, Ontario. From the international boundary, ECTR would transport the gas to its markets downstream of the National Fuel system, pursuant to the amended and restated precedent agreement it executed with National Fuel.

8.4 Market

The details on markets can be examined in Chapter 7.

8.5 Gas Sales Contracts

The proposed export would be governed by a Enfolio Master Firm Purchase/Sales Agreement dated 1 June 1994 between ECTR and ECT Canada as confirmed by letter agreement between those parties, dated 30 January 1997. The letter agreement acknowledges the sale of 256.4 $10^3m^3/d$ (9.1 MMcf/d) for a ten-year period commencing 1 November 1998. The gas purchase agreement between ECT Canada and CNR mirrors the gas purchase agreement between ECTR and ECT Canada.

The gas purchase agreement and confirmation letter, as amended, between CNR and ECT Canada provides for a MDQ of 256.4 $10^3m^3/d$ (9.1 MMcf/d), at a 100 percent load factor, plus fuel gas. Should CNR fail to deliver its full MDQ, it must indemnify ECT Canada for the incremental cost to obtain replacement gas plus the full amount ECT Canada paid to any arm's length third party for fuel gas; and an amount in liquidated damages. ECT Canada must pay a similar penalty to CNR should ECT Canada fail to purchase its minimum monthly obligation.

The contract price is a netback price based upon the Belle River Mills Index for "Michigan Michcon", as published monthly by "*Gas Daily*". The gas purchase agreement provides for redetermination of the price index if that index ceases to exist. As an alternative to the contract price, ECT Canada and CNR may agree, on a monthly basis, to convert the Belle River Mills Index to a fixed price or a NYMEX index-based price.

ECTR stated that the gas purchase agreement between ECT Canada and CNR was negotiated at arm's length. ECT Canada may terminate its gas purchase agreement with CNR if certain conditions precedent with respect to transportation and regulatory approvals are not obtained by 1 October 1998. These conditions precedent are separated into Package #1 (158.1 $10^3m^3/d$ (5.6 MMcf/d)), which includes FERC's decision on rolled-in tolling methodology for National Fuel's 1997 expansion of facilities, and Package #2 (98.3 $10^3m^3/d$ (3.5 MMcf/d)).

ECTR indicated that the netback price on 1 January 1997 at the Alberta border, would have been $Cdn. 3.03/GJ ($Cdn. 3.18/MMBtu).

8.6 Status of Regulatory Authorizations

ECTR indicated that applications would be submitted to the EUB and DOE/FE for the required removal permit and import authorization.

> ***Views of the Board***
>
> ECTR is obligated to purchase 100 percent of the MDQ and must pay penalties for deficient volumes. Additionally, the Board recognizes that ECTR is a major marketer of gas in the U.S. and, therefore, the Board is satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

The gas purchase agreement provides for a market-oriented determination of the gas price. Furthermore, the pricing mechanism also provides for flexible pricing options. The Board is thus satisfied that the gas purchase agreement will remain attractive to the parties over the proposed term and is, therefore, durable.

The Board has examined the gas purchase agreement between ECT Canada and CNR, and is satisfied that it has been negotiated at arm's length.

To the extent that CNR owns the gas supply supporting this export proposal, a finding of producer support is not necessary.

The Board is satisfied that the pricing provisions of the gas purchase agreement provide for the payment of the associated transportation charges on Canadian pipelines over the term of the contract.

With regard to the gas supply which underpins the proposed export, CNR's reserves exceed the total commitments against those reserves. In addition, CNR has adequate productive capacity to meet its requirements over the majority of the term of the applied-for licence. The Board notes that CNR has provided a corporate warranty to ECT Canada.

The terms of the gas purchase and TransCanada transportation contracts are commensurate with the requested licence. In addition, ECTR and CNR are expected to apply for the requisite regulatory authorizations. The Board is, therefore, satisfied that the requested licence term is appropriate.

With regard to ECTR's request for a licence that is not conditioned with respect to the point of export, the Board notes that the commercial structure underpinning the applied-for export is supported by gas purchase and transportation contracts which indicate that the export point is Niagara Falls, Ontario, at the interconnection between the TransCanada and National Fuel systems. As well, the Board notes that the use of alternate export points to provide short-term flexibility may be accommodated through the use of short-term gas export orders. Given these factors, the Board is not persuaded to grant ECTR's request for multiple export points.

Finally, the Board notes that ECT Canada's gas purchase agreement with CNR is structured into two packages which are subject to certain conditions precedent. To the extent that the failure to fulfill these conditions could result in a reduced availability of gas supply to underpin the proposed export, the Board believes that it would be appropriate to include a condition in the licence to reflect this possibility. ECTR indicated that it would accept a condition to the licence, if granted, which would reduce the applied-for volume should the conditions for either package of supply not be met.

Decision

The Board has decided to issue a gas export licence to ECTR, subject to the approval of the Governor in Council. Appendix I contains the terms and conditions of the licence to be issued.

Chapter 9

Ranger Oil Limited

9.1 Application Summary

By application dated 20 February 1997, Ranger sought, pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term	-	commencing on 1 November 1997 and ending on 31 October 2007	
Point of Export	-	Niagara Falls, Ontario	
Maximum Daily Quantity	-	141.6 10^3m^3	(5.0 MMcf)
Maximum Annual Quantity	-	51.7 10^6m^3	(1.9 Bcf)
Maximum Term Quantity	-	517.0 10^6m^3	(19.0 Bcf)
Tolerances	-	ten percent per day and two percent per year	

The gas proposed to be exported would be produced from Ranger's B.C. corporate supply pool. Initially, the gas would be transported on the Novagas system to the interconnection with the NOVA system in Alberta. From the B.C./Alberta border, the gas would be transported to the Alberta/Saskatchewan border near Empress through NOVA's facilities. (Alternatively, Ranger's gas supply in B.C. could be accessible from NOVA through an exchange agreement with NORPAC.) From Empress, the gas would be shipped on the TransCanada system to the export point near Niagara Falls, Ontario. From the international border, the gas would be transported on the National Fuel and Tennessee Gas Pipeline ("Tennessee") systems to Coastal's markets in the U.S. Northeast.

9.2 Gas Supply

The details on supply for Ranger can be examined in Chapter 3.

9.3 Transportation

Ranger has an agreement with Novagas to transport the proposed export volumes to the interconnection with NOVA at the B.C./Alberta border. Ranger has executed a FS agreement with NOVA for 105 $10^3m^3/d$ (3.7 MMcf/d) and has been advised by NOVA that it is prepared to provide Ranger with additional transportation service of 37 $10^3m^3/d$ (1.3 MMcf/d). In addition, Ranger has signed a precedent agreement with TransCanada to ship the gas from Empress to the export point near Niagara Falls, Ontario. From the international border, the gas will be transported by Coastal on the National Fuel system between 1 November 1997 and 31 October 1998 and on the Tennessee system

for the period 1 November 1998 to 31 October 2007. Coastal has requested FS transportation from Tennessee as part of its open-season process.

9.4 Market

The gas sold by Ranger to Coastal will be used to supply Coastal's markets in the U.S. Northeast. Coastal is a gas marketing company serving a diverse portfolio of markets in Canada and the U.S. Coastal currently sells about 107 $10^6m^3/d$ (3.8 Bcf/d) in Canada and the U.S. of which approximately 42 $10^6m^3/d$ (1.5 Bcf/d) is marketed in the U.S. Northeast. Coastal's U.S. Northeast market portfolio consists primarily of LDC's, electric generation companies and industrial end-users.

9.5 Gas Sales Contract

On 20 February 1997, Ranger executed a Letter Agreement with Coastal governing the terms and conditions of the proposed export which is to commence on 1 November 1997 and extend to 31 October 2007. The Letter Agreement is subject to certain conditions precedent with respect to regulatory authorizations and transportation service on the TransCanada, National Fuel and Tennessee systems.

The Daily Quantity ("DQ") under the Letter Agreement is 141.6 10^3m^3 (5.0 MMcf). Coastal is required to purchase gas at a 100 percent load factor and, if it fails to do so, is responsible for indemnifying Ranger for the theoretical costs associated with replacement markets. Similarly, Ranger is responsible for indemnifying Coastal for all incremental costs to acquire replacement volumes, should Ranger not provide its full DQ.

The price to be paid to Ranger is the monthly index as published by *"Gas Daily"* under the category "Niagara Falls, NY", less a marketing fee to Coastal. Should the monthly price not be available, the parties will attempt to agree on a replacement index and, if agreement cannot be reached, the matter will be resolved by binding arbitration.

Ranger stated that the agreement was negotiated at arm's length.

Ranger estimated that the price on 1 January 1997, at the Alberta border, would have been $Cdn. 5.37/GJ ($Cdn. 5.64/MMBtu).

9.6 Status of Regulatory Authorizations

Ranger stated that it would apply for gas removal authorizations. In addition, Coastal has received long-term import authorization from the DOE/FE, with a term and volume commensurate with the proposed export.

Views of the Board

Under the Letter Agreement with Ranger, Coastal is obligated to purchase gas at a 100 percent load factor and must pay a penalty for any deficient volumes. Additionally, the Board recognizes that Coastal is a major marketer of gas in the U.S. Northeast and, therefore, the Board is satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

The Letter Agreement contains a market-oriented pricing provision which includes binding arbitration in the event that it becomes necessary for the parties to negotiate a replacement price index. The Board is thus satisfied that the Letter Agreement will remain attractive to the parties over the proposed term and is, therefore, durable.

The Board has examined the gas purchase agreement between Ranger and Coastal and is satisfied that it has been negotiated at arm's length.

To the extent that Ranger owns the gas supply supporting this export licence application, a finding of producer support is not necessary.

Ranger is responsible for the transportation charges under its agreement with Novagas and the charges for service on the NOVA and TransCanada systems. The Board is satisfied that the revenues generated under the Letter Agreement with Coastal will likely be sufficient to enable Ranger to cover these charges. The Board is, therefore, satisfied that there are provisions for the payment of associated transportation charges on Canadian pipelines over the term of the proposed export.

With regard to the gas supply which underpins the proposed export, Ranger's reserves exceed the total commitments against those reserves. In addition, Ranger has adequate productive capacity to meet its requirements over the majority of the term of the applied-for licence. Ranger has also provided a corporate warranty to Coastal.

The terms of the gas sales and transportation agreements, as well as the applied-for and received regulatory authorizations, are commensurate with the requested licence. The Board is, therefore, satisfied that the requested licence term is appropriate.

Decision

The Board has decided to issue a gas export licence to Ranger, subject to the approval of the Governor in Council. Appendix I contains the terms and conditions of the licence to be issued.

Chapter 10

United States Gypsum Company

10.1 Application Summary

By application dated 20 February 1997, USG sought, pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term	-	commencing on 1 November 1998 and ending on 1 November 2008
Points of Export	-	Chippawa and Niagara Falls, Ontario
Maximum Daily Quantity	-	384.2 10^3m^3 (13.6 MMcf)
Maximum Annual Quantity	-	140.2 10^6m^3 (4.9 Bcf)
Maximum Term Quantity	-	1 402.3 10^6m^3 (49.5 Bcf)
Tolerances	-	ten percent per day and two percent per year

The gas proposed to be exported would be produced from Husky Oil Operations Ltd.'s ("Husky") corporate supply pool. The gas would be transported on the NOVA system to the contract delivery point at the Alberta border near Empress. TransCanada would then deliver the gas to the export points at Chippawa and Niagara Falls, Ontario. From the export points, the gas would be shipped on Empire State Pipeline ("Empire"), Tennessee, and other downstream pipelines, for delivery to USG's industrial plants.

10.2 Gas Supply

10.2.1 Reserves

USG submitted estimates of Husky's Alberta corporate reserves which exceed the total requirements against those reserves. Husky's estimates of its total established reserves are 29 299.7 10^6m^3 (1.0 Tcf). The total commitments against Husky's reserves, including the applied-for volumes, were 17 917.5 10^6m^3 (632.5 Bcf).

10.2.2 Productive Capacity

USG submitted Husky's data which enabled a comparison of productive capacity and annual requirements. This comparison shows that there is adequate productive capacity to meet Husky's commitments over the majority of the term of the applied-for licence.

10.3 Transportation

Husky would use its existing FS transportation on NOVA to transport the gas to Empress. USG has executed precedent agreements with TransCanada to deliver 83.9 $10^3m^3/d$ (3.0 MMcf/d) to Chippawa, Ontario, and 300.3 $10^3m^3/d$ (10.6 MMcf/d) to Niagara Falls, Ontario.

USG has an agreement-in-principle with Empire for FS transportation on its system and has executed a service agreement with Tennessee. Transportation agreements have been executed with other downstream pipelines including Columbia Gas Transmission Corporation and East Tennessee Natural Gas Company.

10.4 Market

USG's principal business activity is the manufacture of gypsum wallboard for use in the construction trade. Manufacturing operations are conducted at plants owned and operated by the company in the eastern and southern United States. The proposed export volumes would be used at USG's plants located in New York, Ohio and Alabama. USG currently has no contracts for the long-term supply of natural gas to these plants.

10.5 Gas Sales Contract

On 18 February 1997, USG and Husky executed a Gas Purchase and Sale Contract which is to commence 1 November 1998 and extend for ten years. The contract is subject to certain conditions precedent with regard to regulatory authorizations and FS transportation on TransCanada.

The contract provides for a Daily Contract Quantity ("DCQ") of 384.2 10^3m^3 (13.6 MMcf), plus associated fuel on the TransCanada system. USG is obligated to nominate and take the full DCQ each day. There are financial penalties to be paid by USG in the event that it does not take the full DCQ. Similarly, there are financial penalties imposed on Husky if it fails to deliver the full DCQ. The contract may be terminated by Husky, if USG fails to purchase 100 percent of the DCQ for 30 days in any consecutive 12-month period. As well, USG may terminate the contract, if Husky fails to deliver the full DCQ for 30 days in any consecutive 12-month period.

The monthly price to be paid to Husky consists of the variable and demand transportation charges on NOVA plus a commodity charge equal to the AECO 'C' & NOVA Inventory Transfer "One Month Spot Index" (in $Cdn./GJ) published by "*Canadian Gas Price Reporter*", plus $Cdn. 0.05/GJ. Should the monthly price not be available, the parties will attempt to agree on a replacement index and, if agreement cannot be reached, the matter will be resolved by arbitration.

USG stated that the contract was negotiated at arm's length.

USG indicated that the price at the Alberta border, as of 1 January 1997, would have been $Cdn. 2.44/GJ ($Cdn. 2.56/MMBtu).

10.6 Status of Regulatory Authorizations

Husky stated that the EUB approved its application for an amendment to its existing removal permit to accommodate the proposed export. In addition, USG has received long-term import authorization from the DOE/FE, with a term and volume commensurate with the proposed export.

Views of the Board

Under the gas sales contract with Husky, USG is obligated to purchase gas at a 100 percent load factor and must pay a penalty for any deficient volumes. The Board is, therefore, satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

The gas sales contract provides for market-oriented pricing and includes binding arbitration in the event that it becomes necessary for the parties to negotiate a replacement price index. The Board is thus satisfied that the gas sales contract will remain attractive to the parties over the proposed term and is, therefore, durable.

The Board has examined the gas sales contract between Husky and USG, and is satisfied that it has been negotiated at arm's length.

To the extent that Husky owns the gas supply supporting this export licence application, a finding of producer support is not necessary.

USG is responsible for the TransCanada transportation charges. As well, revenues generated under the gas sales contract will likely be sufficient to enable Husky to cover the demand charges on the NOVA system. The Board is, therefore, satisfied that there are provisions in the gas sales contract for the payment of the associated transportation charges on Canadian pipelines over the term of the agreement.

With regard to the gas supply which underpins the proposed export, Husky's reserves exceed the total commitments against those reserves. In addition, Husky has adequate productive capacity to meet its requirements over the majority of the term of the applied-for licence.

The terms of the gas sales and transportation contracts, as well as the regulatory authorizations, are commensurate with the requested licence. The Board is, therefore, satisfied that the requested licence term is appropriate.

Decision

The Board has decided to issue a gas export licence to USG, subject to the approval of the Governor in Council. Appendix I contains the terms and conditions of the licence to be issued.

Chapter 11

Westcoast Gas Services Inc.

11.1 Application Summary

By application dated 20 February 1997, as amended, Westcoast sought, pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term	-	commencing on 1 November 1998 and ending on 31 October 2008	
Points of Export	-	Emerson, Manitoba	
Maximum Daily Quantity	-	to 31 Oct. 2001: after 1 Nov. 2001:	572.0 10^3m^3 (20.2 MMcf) 715.0 10^3m^3 (25.2 MMcf)
Maximum Annual Quantity	-	to 31 Oct. 2001: after 1 Nov. 2001:	208.8 10^6m^3 (7.4 Bcf) 261.0 10^6m^3 (9.2 Bcf)
Maximum Term Quantity	-	2 452.0 10^6m^3 (86.6 Bcf)	
Tolerances	-	ten percent per day and two percent per year	

The gas proposed to be exported would be produced from the corporate supply pools of Apache Canada Ltd. ("Apache"), Beau Canada, Rigel, and Talisman Energy Inc. ("Talisman"). In the case of Beau Canada, its B.C. gas would be transported under an agreement with Novagas to the interconnection with NOVA at the B.C./Alberta border. The gas from all producers would be transported on the NOVA system to the contract delivery point at the Alberta/Saskatchewan border near Empress. TransCanada would then deliver the gas to the export point at Emerson, Manitoba. From the international border, the gas would be shipped on the GLGT system for delivery to Westcoast Gas Services (USA) Inc. ("Westcoast-USA")'s markets in the U.S. Great Lakes and Midwest regions.

11.2 Gas Supply

11.2.1 Reserves

Westcoast provided the Board with estimates of reserves for each producer. These estimates were based on either an EUB listing or the analysis of a consultant. Westcoast also submitted the total commitments against each producer's reserves. In all cases, the reserves exceed the commitments, including the proposed exports.

Apache's estimates of reserves totalled 3 997.7 10^6m^3 (141.1 Bcf). The total commitments against Apache's reserves are 1 743.0 10^6m^3 (61.5 Bcf), including the proposed export. Talisman's estimates

of reserves totalled 17 992.5 10^6m^3 (635.1 Bcf). The total commitments against Talisman's reserves are 7 666.8 10^6m^3 (270.6 Bcf), including the proposed export.

The details on supply for Beau Canada can be examined in Chapter 7 and while Rigel's can be examined in Chapter 6.

11.2.2 Productive Capacity

Westcoast submitted a comparison of productive capacity and annual requirements for each of the producers. These comparisons show that the producers have adequate productive capacity to meet their commitments to Westcoast over the majority of the term of the applied-for licence.

11.3 Transportation

For its portion, Beau Canada has an agreement with Novagas to transport the proposed export volumes to the interconnection with NOVA at the B.C./Alberta border. By letter dated 28 October 1996, NOVA offered to provide FS capacity on its system to Westcoast subject to certain conditions. On 21 February 1997, Westcoast executed a precedent agreement with TransCanada for the requisite FS capacity and term to transport the gas to the export point at Emerson, Manitoba. Westcoast-USA would then deliver the gas to its markets in the U.S. Great Lakes and Midwest regions by utilizing a precedent agreement with GLGT dated 1 March 1996.

11.4 Market

Westcoast markets gas to a large and diverse portfolio of markets in Canada and the U.S. Currently, Westcoast purchases and markets in excess of 85 $10^6m^3/d$ (3 Bcf/d) of which about 21 $10^6m^3/d$ (0.75 Bcf/d) is marketed in the U.S. Great Lakes and Midwest regions. The proposed exports would serve Westcoast-USA's existing and new short and long-term markets those two market regions.

11.5 Gas Sales Contracts

The proposed gas export would be governed by a Gas Transaction Agreement ("GTA") dated 1 April 1994 between Westcoast and Westcoast-U.S.A. as confirmed by a Gas Transaction Confirmation ("GTC") letter dated 30 October 1996. The GTC acknowledges the sale of 715 $10^3m^3/d$ (25.4 MMcf/d) over the period 1 November 1998 to 31 October 2008. The gas purchase agreements between Westcoast and each producer mirror the GTA.

Apache, Beau Canada and Rigel executed GTAs with Westcoast (as confirmed by GTCs dated 29 November 1996) on 26 September 1996, 1 July 1994 and 1 May 1994, respectively, for each to provide 143 $10^3m^3/d$ (5.0 MMcf/d). Similarly, Talisman will provide up to 286 $10^3m^3/d$ (10.0 MMcf/d) pursuant to a binding letter agreement dated 30 September 1996. The term of each supply

agreement covers the period 1 November 1998 to 31 October 2008 except for Rigel[1] who will supply gas for only the last seven years to 31 October 2008.

Under the gas purchase agreements between Westcoast and each producer, the contract price is a netback price based upon the arithmetic average of the Consumers Power and Michcon indices as published by "*Gas Daily*".

Westcoast stated that the gas purchase agreements with each producer were negotiated at arm's length. The agreements are also subject to the necessary transportation and regulatory approvals being obtained.

Westcoast indicated that the price under the agreements on 1 January 1997, at the Alberta border, would have been $Cdn. 4.77/GJ ($Cdn. 5.02/MMBtu).

11.6 Status of Regulatory Authorizations

DOE/FE has authorized the import of the applied-for export volumes. As well, Westcoast has applied for the necessary provincial removal permits.

Views of the Board

Under the gas purchase agreements, Westcoast is obligated to purchase the gas at a 100 percent load factor and must pay a penalty for any deficient volumes. Additionally, the Board recognizes that Westcoast is a major marketer of gas and, therefore, the Board is satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

Each gas purchase agreement provides for a market-oriented determination of the gas price. The Board is thus satisfied that the gas sales contracts will remain attractive to the parties over the proposed term and are, therefore, durable.

The Board has examined the gas purchase agreements between Westcoast and the producers and is satisfied that they have been negotiated at arm's length.

To the extent that the producers own the gas supply supporting this proposed export, a finding of producer support is not necessary.

The Board is satisfied that the pricing provisions of the gas purchase agreements provide for the payment of the associated transportation charges on Canadian pipelines over the term of the gas sales arrangements.

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1 The GTC with Rigel was amended on 29 May 1997 to reduce the term.

With regard to the gas supply which underpins the proposed export, each producer's reserves exceed the total commitments against those reserves. In addition, the producers have adequate productive capacity to meet their requirements over the majority of the term of the applied-for licence.

The terms of the gas purchase agreements, transportation contracts and import authorization are commensurate with the requested licence. As well, the Board notes that Westcoast has applied for the requisite removal permits. The Board is, therefore, satisfied that the requested licence term is appropriate.

Decision

The Board has decided to issue a gas export licence to Westcoast, subject to the approval of the Governor in Council. Appendix I contains the terms and conditions of the licence to be issued.

Chapter 12

Disposition

The foregoing chapters constitute our Decisions and Reasons for Decision in respect of those applications examined by the Board in the GHW-1-97 proceeding.

J. Snider
Presiding Member

R. Priddle
Member

R. Illing
Member

Calgary, Alberta
September 1997

Appendix I

Terms and Conditions of the Licences to be Issued

Terms and Conditions of the Licence to be Issued to Coastal Gas Marketing Company (Emerson Export)

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 November 1998 and shall end on 31 October 2008.

   (b) The term of this Licence shall end on 1 November 2000 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that Coastal may export under the authority of this Licence shall not exceed:

   (a) 864 000 cubic metres in any one day;

   (b) 316 000 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

   (c) 3 160 000 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

   (b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the point of export near Emerson, Manitoba.

Terms and Conditions of the Licence to be Issued to Coastal Gas Marketing Company (St. Clair Export)

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 November 1998 and shall end on 31 October 2008.

   (b) The term of this Licence shall end on 1 November 2000 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that Coastal may export under the authority of this Licence shall not exceed:

   (a) 1 400 000 cubic metres in any one day;

(b) 511 000 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

(c) 5 110 000 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

(b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the point of export near St. Clair, Ontario.

Terms and Conditions of the Licence to be Issued to CoEnergy Trading Company

1. (a) Subject to condition 1(b), the term of this Licence shall commence on the later of 1 November 1998 or the date of first deliveries and shall end 10 years following the date of first deliveries.

(b) The term of this Licence shall end on 1 November 2000 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that CoEnergy may export under the authority of this Licence shall not exceed:

(a) 2 266 200 cubic metres in any one day;

(b) 827 200 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

(c) 8 272 000 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

(b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the points of export near Emerson, Manitoba and/or East Hereford, Quèbec.

Terms and Conditions of the Licence to be Issued to Enron Capital & Trade Resources Corp. (Chicago Export)

1. (a) Subject to condition 1(b), the term of this Licence shall commence on the later of 1 November 1998, or the date of first deliveries and shall end on the later of 1 November 2008 or 10 years from the date of first deliveries.

   (b) The term of this Licence shall end on 1 November 2000 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that ECTR may export under the authority of this Licence shall not exceed:

   (a) 1 185 200 cubic metres in any one day;

   (b) 432 730 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

   (c) 4 327 302 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

   (b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the point of export near Monchy, Saskatchewan.

Terms and Conditions of the Licence to be Issued to Enron Capital & Trade Resources Corp. (Great Lakes Export)

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 November 1998 and shall end on 1 November 2008.

   (b) The term of this Licence shall end on 1 November 2000 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that ECTR may export under the authority of this Licence shall not exceed:

   (a) 901 000 cubic metres in any one day;

   (b) 329 660 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

(c) 3 296 600 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

(b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the point of export near Emerson, Manitoba.

Terms and Conditions of the Licence to be Issued to Enron Capital & Trade Resources Corp. (Niagara Export)

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 November 1998 and shall end on 1 November 2008.

(b) The term of this Licence shall end on 1 November 2000 unless exports commence hereunder on or before that date.

2. Subject to conditions 3, 4, and 5, the quantity of gas that ECTR may export under the authority of this Licence shall not exceed:

(a) 256 400 cubic metres in any one day;

(b) 93 600 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

(c) 936 000 000 cubic metres during the term of this Licence.

3. Subject to condition 5, if ECTR has not satisfied the Conditions Precedent in its Package #1 gas purchase agreement with CNR, the quantity of gas that ECTR may export under the authority of this Licence shall not exceed:

(a) 98 298 cubic metres in any one day;

(b) 35 908 115 cubic metres in any consecutive twelve-month period ending on 31 October; or

(c) 359 081 150 cubic metres during the term of this Licence.

4. Subject to condition 5, if ECTR has not satisfied the Conditions Precedent in its Package #2 gas purchase agreement with CNR, the quantity of gas that ECTR may export under the authority of this Licence shall not exceed:

(a) 158 102 cubic metres in any one day;

(b) 58 691 885 cubic metres in any consecutive twelve-month period ending on 31 October; or

(c) 576 918 850 cubic metres during the term of this Licence.

5. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in conditions 2, 3 and 4 by ten percent.

   (b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in conditions 2, 3 and 4 by two percent.

6. Gas exported under the authority of this Licence shall be delivered to the point of export near Niagara Falls, Ontario.

Terms and Conditions of the Licence to be Issued to Ranger Oil Limited

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 November 1997 and shall end on 31 October 2007.

   (b) The term of this Licence shall end on 1 November 1999 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that Ranger may export under the authority of this Licence shall not exceed:

   (a) 141 600 cubic metres in any one day;

   (b) 51 700 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

   (c) 517 000 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

   (b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the point of export near Niagara Falls, Ontario.

Terms and Conditions of the Licence to be Issued to United States Gypsum Company

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 November 1998 and shall end on 1 November 2008.

   (b) The term of this Licence shall end on 1 November 2000 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that USG may export under the authority of this Licence shall not exceed:

   (a) 384 200 cubic metres in any one day;

   (b) 140 230 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

   (c) 1 402 300 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

   (b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the points of export near Chippawa and Niagara Falls, Ontario.

Terms and Conditions of the Licence to be Issued to Westcoast

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 November 1998 and shall end on 1 November 2008.

   (b) The term of this Licence shall end on 1 November 2000 unless exports commence hereunder on or before that date.

2. Subject to conditions 3, 4 and 5, the quantity of gas that Westcoast may export for the period commencing 1 November 1998 and ending 31 October 2001, under the authority of this Licence shall not exceed:

   (a) 572 000 cubic metres in any one day;

   (b) 208 800 000 cubic metres in any consecutive twelve-month period ending on 31 October.

3. Subject to conditions 4 and 5, the quantity of gas that Westcoast may export for the period commencing 1 November 2001 and ending 31 October 2008, under the authority of this Licence shall not exceed:

   (a) 715 000 cubic metres in any one day;

   (b) 261 000 000 cubic metres in any consecutive twelve-month period ending on 31 October.

4. The quantity of gas that may be exported under the authority of this Licence shall not exceed 2 452 000 000 cubic metres during the term of this Licence.

5. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in conditions 2 and 3 by ten percent.

   (b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in conditions 2 and 3 by two percent.

6. Gas exported under the authority of this Licence shall be delivered to the point of export near Emerson, Manitoba.